

# **RECENT ECONOMIC DEVELOPMENTS**

## **Highlights of 2004 and Prospects for 2005**



**CENTRAL BANK OF SRI LANKA  
NOVEMBER 2004**

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## KEY ECONOMIC INDICATORS

	2000	2001	2002	2003	Annual Projections 2004 (a)	First Half	
						2003 Actual	2004 Provisional
<b>DEMOGRAPHY</b>							
Mid year population ('000 persons)	18,467	18,732	19,007	19,252	19,449		
Growth of mid year population (per cent)	1.4	1.4	1.5	1.3	1.0		
Population density (persons per sq.km.)	295	299	304	307	310		
Labour force ('000 persons)	6,827	6,773	7,145	7,654	8,084	7,527	7,987(b)
Labour force participation rate (per cent)	50.3	48.8	50.3	48.9	49.0	48.3	49.0(b)
Unemployment rate (per cent of labour force)	7.6	7.9	8.8	8.4	8.3	8.1	8.1(b)
<b>OUTPUT</b>							
GDP at current market prices (Rs. billion)	1,258	1,407	1,585	1,763	1,988		
GNP at current market prices (Rs. billion)	1,233	1,382	1,561	1,738	1,961		
Per capita GDP at market prices (Rs.)	68,102	75,133	83,384	91,566	102,197		
Per capita GNP at market prices (Rs.)	66,790	73,789	82,142	90,262	100,821		
Per capita GDP at market prices (US\$)	899	841	872	949	1,011		
Per capita GNP at market prices (US\$)	881	826	859	935	997		
<b>REAL OUTPUT (percentage change)</b>							
GNP	5.8	-1.3	4.1	6.4	5.0	6.2	6.1
GDP	6.0	-1.5	4.0	5.9	5.2	5.6	5.7
Sectoral Classification of GDP							
Agriculture	1.8	-3.4	2.5	1.5	-0.5	-0.6	0.7
Industry	7.5	-2.1	1.0	5.5	4.9	7.0	4.3
Services	7.0	-0.5	6.1	7.8	7.3	7.3	8.2
<b>AGGREGATE DEMAND AND SAVINGS (percent of GDP)</b>							
Consumption	82.6	84.2	85.4	84.1	83.3		
Private	72.1	74.0	76.6	76.2	75.0		
Government	10.5	10.3	8.8	7.9	8.3		
Investment	28.0	22.0	21.3	22.3	25.3		
Government	3.3	3.0	2.0	2.3	2.6		
Public corporations	3.2	2.8	2.6	3.0	2.8		
Private	21.5	16.2	16.7	17.0	22.7		
Net import of goods & non factor services	-10.6	-6.2	-6.7	-6.3	-9.2		
Export of goods & non factor services	39.0	37.3	36.0	35.8	36.2		
Import of goods & non factor services	49.6	43.6	42.7	42.1	45.4		
Domestic savings	17.4	15.8	14.6	16.0	16.1		
Net factor income (c)	4.1	4.6	5.1	5.5	5.2		
National savings	21.5	20.3	19.7	21.6	21.4		
<b>PRICES AND WAGES (percentage change)</b>							
Colombo District Consumer Price Index (Oct. 1996-Sep. 1997 = 100)	3.6	10.3	6.8	2.1		4.4(d)	1.0(d)
Colombo Consumers' Price Index (1952 = 100)	6.2	14.2	9.6	6.3	7.0	9.0(d)	3.9(d)
Sri Lanka Consumers' Price Index (1995-1997 = 100)	1.5	12.1	10.2	2.6		6.1(d)	1.7(d)
Wholesale Price Index (1974 = 100)	1.7	11.7	10.7	3.1		7.1(d)	3.4(d)
GDP deflator	6.7	12.4	8.4	5.0	7.2	6.0	5.6
Nominal wage rate index for workers in all wages boards	2.3	4.9	7.4	7.0		11.7	2.7
Nominal wage rate index for central government employees	8.3	20.8	16.3	0.0		4.9	9.8
<b>GOVERNMENT FINANCE (per cent of GDP)</b>							
Revenue	16.8	16.7	16.5	15.7	15.8	7.6	7.2
Expenditure and net lending	26.7	27.5	25.4	23.7	24.5	11.5	11.4
o/w Current expenditure	20.2	21.6	20.9	19.0	19.5	9.4	9.0
Capital Expenditure and net lending	6.4	5.9	4.6	4.7	5.0	2.1	2.4
Current account deficit(-)/surplus(+)	-3.4	-4.9	-4.4	-3.3	-3.7	-1.8	-1.8
Overall deficit	-9.9	-10.8	-8.9	-8.0	-8.7	-3.9	-4.2
Deficit financing	9.9	10.8	8.9	8.0	8.7	3.9	4.2
Foreign	0.4	1.4	0.5	2.9	1.7	0.9	0.6
Domestic	9.4	8.8	8.0	4.5	6.9	2.7	3.5
Privatisation proceeds	...	0.6	0.4	0.6	0.1	0.3	0.1
Government debt	96.9	103.2	105.4	105.9	106.4	97.8	100.2
Foreign	43.1	45.3	45.6	47.9	48.2	42.4	45.4
Domestic	53.8	58.0	59.8	57.9	58.2	55.4	54.8

## KEY ECONOMIC INDICATORS (Contd.)

	2000	2001	2002	2003	Annual Projections 2004 (a)	First half	
						2003 Actual	2004 Provisional
<b>EXTERNAL TRADE (Percentage change)</b>							
Terms of trade	-6.1	-1.7	3.9	7.4	-4.0	10.4	-5.1
Export unit value index (1997 = 100)	1.5	-5.2	-4.3	5.5	2.5	10.4	2.5
Import unit value index (1997 = 100)	8.1	-3.6	-7.9	-1.8	6.9	0.0	8.0
Export volume	18.3	-8.0	2.0	3.5	5.7	7.0	6.9
Import volume	12.9	-10.7	11.0	11.2	9.1	7.2	12.3
<b>EXTERNAL FINANCE (US\$ million)</b>							
Trade balance	-1,798	-1,157	-1,406	-1,539	-2,213	-701	-1,126
Exports	5,522	4,817	4,699	5,133	5,564	2,378	2,606
Imports	7,320	5,974	6,106	6,672	7,777	3,078	3,732
Services and income account (net)	-267	-63	42	204	173	98	68
Current private transfers (net)	974	984	1,097	1,205	1,263	593	628
Current official transfers (net)	24	22	31	29	34	20	23
Current account balance	-1,066	-215	-237	-101	-744	10	-407
Overall balance	-522	220	338	502	-257	187	-223
Current account balance (per cent of GDP)	-6.4	-1.4	-1.4	-0.6	-3.8	0.1	-2.1
External assets (months of same year imports)	3.5	4.5	4.9	5.8	4.6	5.3	5.1
Overall debt service ratio (per cent of X G & S)	14.7	13.2	13.2	11.6	11.8	10.9	10.4
Total external debt and liabilities (per cent of GDP)	61.0	60.3	62.4	64.1	59.7	-	-
<b>EXCHANGE RATES</b>							
Annual average							
Rs/US\$	75.78	89.36	95.66	96.52		97.00	98.58
Rs/SDR	99.90	113.75	123.93	135.23		134.22	145.18
End - Period							
Rs/US\$	82.65	93.16	96.73	96.74		97.14	102.31
Rs/SDR	104.31	116.97	130.99	143.75		136.07	150.01
<b>MONETARY AGGREGATES (percentage change Dec. to Dec.)</b>							
Narrow money (M1)	9.1	3.2	14.0	16.0	13.0	13.3	19.4
Broad money (M2b)	12.9	13.6	13.4	15.3	15.0	12.1	16.0
Net external assets of the banking system	-31.9	6.6	49.3	51.0	2.6	41.4	23.5
Net domestic assets	26.9	14.8	7.8	7.6	18.8	6.5	14.1
Domestic credit from the banking system to							
Government (net)	56.8	36.7	-4.1	-8.7	16.5	-11.7	5.6
Public corporations	193.2	6.7	5.4	-15.9	41.7	-0.6	-1.5
Private sector	11.8	8.9	12.0	16.9	15.1	13.4	20.4
Reserve money	4.7	7.0	12.3	11.9	17.0	10.1	15.6
Money multiplier for M2b (Value)	4.60	4.88	4.92	5.08	4.99	5.01	5.03
Velocity of M2b (Value)	2.79	2.76	2.69	2.65	2.60	-	-
<b>INTEREST RATES (per cent per annum at end year)</b>							
Treasury bill rate							
91 days	17.77	12.92	9.92	7.35		8.39	7.80
364 days	18.22	13.74	9.91	7.24		8.46	7.75
Repurchase rate (overnight)	17.00	12.00	9.75	7.00		8.25	7.00
Rediscount rate (overnight) / Reverse repo rate	20.00	14.00	11.75	8.50		10.25	8.50
Deposit rates							
Commercial banks' weighted average deposit	9.89	10.78	7.47	5.27		6.00	4.84
Commercial banks' 12 month fixed deposit (max.)	15.00	14.50	11.00	7.75		9.50	8.25
NSB savings	8.40	8.40	6.00	5.00		6.00	5.00
NSB 12 month fixed deposit	15.00	13.00	10.00	7.00		8.50	7.00
Lending rates							
Com. banks' weighted average prime lending	21.46	14.25	12.17	9.26		10.6	9.35
Bills purchased & discounted	11.00 - 25.00	13.00 - 24.00	10.00-23.00	7.00-19.00		8.75-23.00	8.75-20.00
<b>CAPITAL MARKET</b>							
All Share Price Index (1985 = 100)	447.6	621.0	815.1	1,062.0		1,048.9	1,358.5
Milanka Price Index (1998 December = 1000)	698.5	1,031.0	1,374.6	1,898.0		2,062.5	2,069.1
Value of shares traded (Rs. million)	10,624.0	13,905.0	30,183.0	73,657.0		22,046.2	24,838.6
Net purchases by non nationals (Rs. million)	-3,364.7	-1,024.8	2,442.0	209.0		2,030.4	546.8
Market capitalisation (Rs. billion)	88.8	124.0	162.6	262.0		247.7	332.3

(a) Provisional estimates for 2004 are based on information available up to October 2004.

(b) 1st quarter 2004.

(c) Includes workers' remittances.

(d) Annual average increase as at end June.